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## Federal GAAP hierarchy; Statement on auditing standards, 091

American Institute of Certified Public Accountants. Auditing Standards Executive Committee

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April 2000

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# Statement on Auditing Standards

Issued by the Auditing Standards Board

AICPA

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

## Federal GAAP Hierarchy

*(Amendment to Statement on Auditing Standards No. 69, The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles in the Independent Auditor's Report, AICPA, Professional Standards, vol. 1, AU sec. 411)*



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# Federal GAAP Hierarchy

***Amendment to Statement on Auditing Standards No. 69, The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles in the Independent Auditor's Report (AICPA, Professional Standards, vol. 1, AU sec. 411)***

1. In October 1999, AICPA Council passed a resolution recognizing the Federal Accounting Standards Advisory Board (FASAB) as the body designated to establish generally accepted accounting principles (GAAP) for federal governmental entities under Rule 203, Accounting Principles, of the AICPA's Code of Professional Conduct. This amendment adds the following two new paragraphs to Statement on Auditing Standards (SAS) No. 69, *The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles in the Independent Auditor's Report*, to establish a hierarchy of accounting principles for federal governmental entities.

## Application to Federal Governmental Entities

- .14 For financial statements of federal governmental entities<sup>8</sup>—
- a. Category (a), officially established accounting principles, consists of Federal Accounting Standards Advisory Board (FASAB) Statements and Interpretations, as well as AICPA and FASB pronouncements specifically made applicable to federal governmental entities by FASAB Statements or Interpretations. FASAB Statements and Interpretations will be periodically incorporated in a publication by the FASAB.
  - b. Category (b) consists of FASAB Technical Bulletins and, if specifically made applicable to federal governmental entities by the AICPA and cleared by the FASAB, AICPA Industry Audit and Accounting Guides and AICPA Statements of Position.<sup>9</sup>
  - c. Category (c) consists of AICPA AcSEC Practice Bulletins if specifically made applicable to federal governmental entities and cleared by the FASAB, as well as Technical Releases of the Accounting and Auditing Policy Committee of the FASAB.
  - d. Category (d) includes implementation guides published by the FASAB staff, as well as practices that are widely recognized and prevalent in the federal government.

8. Federal Accounting Standards Advisory Board (FASAB) Concepts Statement No. 2, *Entity and Display*, defines federal governmental entities.

9. The auditor should assume that such pronouncements specifically made applicable to federal governmental entities have been cleared by the FASAB, unless the pronouncement indicates otherwise.

.15 In the absence of a pronouncement covered by rule 203 or another source of established accounting principles, the auditor of financial statements of a federal governmental entity may consider other accounting literature, depending on its relevance in the circumstances. Other accounting literature includes, for example, FASAB Concepts Statements; the pronouncements referred to in categories (a) through (d) of paragraph .10 when not specifically made applicable to federal governmental entities by the FASAB; FASB Concepts Statements; GASB Statements, Interpretations, Technical Bulletins, and Concepts Statements; AICPA Issues Papers; International Accounting Standards of the International Accounting Standards Committee; pronouncements of other professional associations or regulatory agencies; Technical Information Service Inquiries and Replies included in AICPA Technical Practice Aids; and accounting textbooks, handbooks, and articles. The appropriateness of other accounting literature depends on its relevance to particular circumstances, the specificity of the guidance, and the general recognition of the issuer or author as an authority. For example, FASAB Concepts Statements would normally be more influential than other sources in this category.

2. This amendment also adds a third column, titled "Federal Governmental Entities," to the "GAAP Hierarchy Summary" table in SAS No. 69 (AU sec. 411.16) to reflect the hierarchy for federal governmental entities set forth in the new paragraphs (AU sec. 411.14 and .15). The new column is as follows:

[under Established Accounting Principles]

- .14a FASAB Statements and Interpretations plus AICPA and FASB pronouncements if made applicable to federal governmental entities by a FASAB Statement or Interpretation
- .14b FASAB Technical Bulletins and the following pronouncements if specifically made applicable to federal governmental entities by the AICPA and cleared by the FASAB: AICPA Industry Audit and Accounting Guides and AICPA Statements of Position
- .14c AICPA AcSEC Practice Bulletins if specifically made applicable to federal governmental entities and cleared by the FASAB and Technical Releases of the Accounting and Auditing Policy Committee of the FASAB

- .14d Implementation guides published by the FASAB staff and practices that are widely recognized and prevalent in the federal government

[*under* Other Accounting Literature]

- .15 Other accounting literature, including FASAB Concepts Statements; pronouncements in categories (a) through (d) of the hierarchy in paragraph .10 when not specifically made applicable to federal governmental entities; FASB Concepts Statements; GASB Statements, Interpretations, Technical Bulletins, and Concepts Statements; AICPA Issues Papers; International Accounting Standards of the International Accounting Standards Committee; pronouncements of other professional associations or regulatory agencies; AICPA *Technical Practice Aids*; and accounting textbooks, handbooks, and articles

**3. This amendment is effective upon issuance.**

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*This Statement entitled Federal GAAP Hierarchy was unanimously adopted by the assenting votes of the fifteen members of the board.*

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**Note:** *Statements on Auditing Standards are issued by the Auditing Standards Board, the senior technical body of the Institute designated to issue pronouncements on auditing matters. Rule 202 of the Institute's Code of Professional Conduct requires compliance with these standards.*

